Alberta

Freedom To Create. Spirit To Achieve.

Consolidated Financial Statements

of the Government of Alberta

Annual Report

2010–2011

Government of Alberta

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CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE OF ALBERTA

Year Ended March 31, 2011

INTRODUCTION

The financial statements in this annual report of the Government of Alberta are a consolidation of ministry financial statements, which themselves are a consolidation of the financial statements of departments, regulated funds, Provincial agencies, Crown-controlled corporations and SUCH sector organizations, for which separate or summary financial statements are presented in ministry annual reports. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, Alberta Health Services, and other health entities. A listing of these organizations is provided in Schedule 15 of the financial statements.

The method of consolidation is described in the Accounting Policies note (Note 1) that forms part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Alberta rests with the government. The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Treasury Board as authorized by the President of Treasury Board pursuant to the *Financial Administration Act*. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards, and of necessity include some amounts that are based on estimates and judgements. As required by the *Government Accountability Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts.

To fulfill its accounting and reporting responsibilities, the government maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability for public money, and
- safeguard the assets and properties of the Province of Alberta under government administration.

Under the *Financial Administration Act*, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. In order to meet government accounting and reporting requirements, the Controller obtains information relating to departments, regulated funds, Provincial agencies, Crown-controlled corporations, schools, universities, colleges, technical institutes, Alberta Health Services and other health entities from ministries as necessary.

The consolidated financial statements are reviewed by the Audit Committee established under the *Auditor General Act*. The Audit Committee advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the consolidated financial statements of the Province.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements prepared by the government. The duties of the Auditor General in that respect are contained in the *Auditor General Act*.

Annually, the consolidated annual report is tabled in the Legislature as a part of the Public Accounts and is referred to the Standing Committee on Public Accounts of the Legislative Assembly.

Approved by:

Grant Robertson
Deputy Minister of Treasury Board

Doug Lynkowski, CA
Controller

Edmonton, Alberta
June 22, 2011

Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Alberta which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 2011, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]
Auditor General

June 22, 2011

Edmonton, Alberta

CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended March 31, 2011

	2011	2010 Restated Note 1(b)
	In millions	
Revenues (Schedule 1)		
Income taxes	$ 10,791	$ 12,631
Other taxes	3,820	3,746
Non-renewable resource revenue	8,428	6,768
Transfers from Government of Canada	5,452	5,342
Net income from commercial operations (Schedule 7)	2,337	2,259
Net investment income	2,486	3,541
Premiums, fees and licences	1,986	1,914
Other	3,502	3,311
	38,802	39,512
Expenses by function (Schedules 2 and 3)		
Health	15,393	14,636
Education	11,362	11,067
Social services	4,014	3,807
Transportation, communications and utilities	1,870	2,306
Agriculture, resource management and economic development	1,859	2,247
Protection of persons and property	1,592	1,458
Regional planning and development	1,316	800
Recreation and culture	376	398
Housing	419	559
Environment	346	369
General government	1,783	1,697
Debt servicing costs	295	214
Pension provisions (Schedules 4 and 11)	439	430
	41,064	39,988
Annual deficit	(2,262)	(476)
Net assets at beginning of year	61,534	61,976
Other (Note 13)	(12)	34
Net assets at end of year	$ 59,260	$ 61,534

The accompanying notes and schedules are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITON

As at March 31, 2011

	2011	2010
	In millions	
Financial assets		
Cash and temporary investments (Schedule 5)	$ 7,124	$ 10,765
Accounts and accrued interest receivable	5,089	4,962
Portfolio investments (Note 12 and Schedule 6)	33,821	35,296
Equity in commercial enterprises (Schedule 7)	2,615	2,416
Loans and advances (Schedule 8)	10,669	8,893
Inventories for resale	93	66
	59,411	62,398
Liabilities		
Accounts and accrued interest payable	10,527	10,100
Unmatured debt (Note 6 and Schedule 9)	4,712	4,779
Debt of Alberta Capital Finance Authority (Schedule 10)	9,660	8,100
Pension liabilities (Schedule 11)	9,922	9,483
Other accrued liabilities (Schedule 12)	1,203	1,194
Liabilities under public private partnerships (Note 7)	1,734	1,425
	37,758	35,081
Net financial assets	21,653	27,317
Non-financial assets		
Tangible capital assets (Schedule 13)	37,338	33,944
Inventories of supplies	140	152
Prepaid expenses	129	121
	37,607	34,217
Net assets	$ 59,260	$ 61,534

Contractual obligations and contingent liabilities (Notes 8 and 9)

Endowment funds (Note 12)

The accompanying notes and schedules are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year Ended March 31, 2011

	2011	2010
	In millions	
Annual deficit	$ (2,262)	$ (476)
Acquisition of tangible capital assets and inventories of supplies	(5,267)	(5,576)
Additions to public private partnerships, capital leases and donated capital	(556)	(657)
Amortization of tangible capital assets and consumption of inventories of supplies	2,417	2,290
Net gain on disposal and write-down of tangible capital assets	(12)	(33)
Reclassification of land to inventories for resale	5	-
Proceeds on sale of tangible capital assets	28	72
Increase in prepaid expenses	(8)	(16)
Accumulated unrealized losses (Schedule 7)	(44)	(77)
Increase in endowments (Note 12)	50	102
Consolidation adjustments relating to SUCH sector	(10)	(37)
Other	(5)	24
Decrease in net financial assets	(5,664)	(4,384)
Net financial assets at beginning of year	27,317	31,701
Net financial assets at end of year	$ 21,653	$ 27,317

The accompanying notes and schedules are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended March 31, 2011

	2011	2010
	In millions	
Operating transactions		
Annual deficit	$ (2,262)	$ (476)
Non-cash items[(a)]	2,327	2,333
	65	1,857
Increase in receivables	(135)	(667)
Increase in payables	433	316
Other	(52)	(65)
Cash provided by operating transactions	311	1,441
Capital transactions		
Acquisition of tangible capital assets and inventories of supplies	(5,267)	(5,576)
Proceeds on sale of tangible capital assets	28	72
Cash applied to capital transactions	(5,239)	(5,504)
Investing transactions		
Purchase of portfolio investments	(17,587)	(27,305)
Disposals of portfolio investments	19,308	26,819
Loans and advances made	(842)	(4,282)
Repayment of loans and advances	333	2,682
Cash provided by (applied to) investing transactions	1,212	(2,086)
Financing transactions		
Debt retirement	(7,579)	(10,635)
Debt issues	7,667	14,801
Repayment of Teachers' Pension Plan Obligation	-	(1,186)
Repayment of liabilities under capital leases and public private partnerships	(20)	(11)
Other	7	57
Cash provided by financing transactions	75	3,026
Decrease in cash and temporary investments	(3,641)	(3,123)
Cash and temporary investments at beginning of year	10,765	13,888
Cash and temporary investments at end of year	$ 7,124	$ 10,765

(a) Non-cash items consists primarily of amortization of tangible capital assets.

The accompanying notes and schedules are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

These financial statements include the accounts of all organizations that are controlled by the Province, including government sector entities and Crown-controlled SUCH sector organizations. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, Alberta Health Services, and other health entities.

A listing of these organizations is provided in Schedule 15.

(b) Change in Accounting Policy

School jurisdictions previously reported school generated funds revenues and expenses on a net basis. For the year ended March 31, 2011 revenues and expenses are presented at their gross amounts. This change has been applied retroactively with restatement.

The results of the restatement are outlined in the following table:

	March 31, 2010		
	As Previously Reported	Increase	As Restated
	In millions		
Revenues	$ 39,410	$ 102	$ 39,512
Expenses	39,886	102	39,988
Annual deficit	$ (476)	$ -	$ (476)

(c) Method of Consolidation

The accounts of government sector entities and Crown-controlled SUCH sector entities, except those designated as commercial enterprises, are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included with the government's results. Revenue and expense transactions, capital, investing and financing transactions, and related asset and liability balances between consolidated entities have been eliminated. Asset retirement obligations of the SUCH sector organizations have been included in the Province's financial statements.

Public sector accounting standards allow that when the scope of activities reported in the budget is different from the scope of activities reported in the financial statements, the budget to actual comparison may be done on the same reporting basis as presented in the budget. The reporting entity for financial statement purposes includes those entities that are deemed to be controlled by the Province for accounting purposes. These controlled entities include Crown-controlled SUCH sector organizations and the four Alberta Innovates Corporations. However, these entities are not included in the Province's budget on a line-by-line basis. As a result of this difference in scope, a comparison between the budgeted results and the actual results is not meaningful without detailed reconciliation. Therefore, in these financial statements, there is no "Budget" column on the Consolidated Statement of Operations, the Consolidated Statement of Change in Net Financial Assets or in other Notes or Schedules throughout the statements. Rather, a comparison between budgeted results and actual results is shown in Note 5 with the actual results presented on the same reporting basis as the budget.

Note 1 (continued)

Schools, colleges, technical institutes and some Provincial agencies have year ends that are other than March 31. The significant transactions of these organizations that have occurred during the period between their year ends and the Province's year end of March 31, 2011, have been recorded in these financial statements.

The accounts of Provincial agencies designated as commercial enterprises, such as ATB Financial (see Schedule 7), are accounted for on the modified equity basis, the equity being computed in accordance with the accounting standards applicable to these entities. Under the modified equity method, the accounting policies of commercial enterprises are not adjusted to conform to those of the government sector entities. Inter-sector revenue and expense transactions and related asset and liability balances are not eliminated.

(d) Basis of Financial Reporting for Government Entities and Crown-controlled SUCH Sector Entities

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue and included in accounts payable.

Corporate income tax revenue is recognized when instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments. Corporate income tax receipts from corporations in anticipation of an upward reassessment of Alberta income tax payable are described as corporate income tax receipts in abeyance and recorded as accounts payable.

Personal income tax is recognized on an accrual basis based on an economic estimate of the various components of personal income tax for the fiscal year. Gross personal income tax for the taxation year is a key component of the estimate for the fiscal year.

The provincial tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Province has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various Acts it administers. These systems and controls include performing audits of taxpayer records when determined necessary. However, such procedures cannot identify all sources of unreported income or other cases of non-compliance with tax laws. The Province does not estimate the amount of unreported tax.

Non-renewable resource revenue is reported based on royalties on oil and gas produced during the year.

The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry does not fully meet the legislative requirements, for example, by reporting inaccurate or incomplete production data. The Province has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various Acts and regulations the Province administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records when determined necessary. The Province does not estimate the effect of misreported revenue.

Transfers from the Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made. Payments received in excess of the estimated amounts applicable to the fiscal year are deferred and included in accounts payable. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Payments received prior to meeting this criterion are included in accounts payable until the resources are used for the purpose specified.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired tangible capital assets and expenses incurred in accordance with the terms of

Note 1 (continued)

approved grant programs. Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Pension costs comprise the cost of pension benefits earned by employees during the year, interest on the Province's share of the unfunded pension liabilities, and the amortization over the expected average remaining service life of employees of deferred adjustments arising from experience gains and losses and changes in actuarial assumptions. Schedule 11 provides additional information on the components of pension liabilities.

In the Consolidated Statement of Operations, pension costs of government sector entities which are funded are included in expenses by function and costs which have not been funded are recorded as pension provisions.

Costs arising from obligations under guarantees and indemnities are recorded as expenses when management determines that the Province will likely be called upon to make payment. The expense represents management's estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements is also recorded in the appropriate expense function.

Financial Assets

Financial assets are the government's financial claims on external organizations and individuals, and inventories for resale at the year end.

Cash and temporary investments are valued at the lower of cost or fair value, on an aggregate basis.

Portfolio investments authorized by legislation to provide income for the long term or for other special purposes are recorded at cost. Realized gains and losses on disposals of these investments are included in calculating the net operating results for the year. If an investment loses value that is other than a temporary decline, its recorded value is reduced to reflect the loss. The reduced value is deemed to be the new cost.

Loans are recorded at cost less any discounts and allowance for credit loss.

Inventories for resale representing the Province's share of royalty oil in feeder and trunk pipelines are recorded at the lower of cost or net realizable value. Other inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities represent present obligations of the government to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Debentures included in unmatured debt are recorded at their face amount less unamortized discount, which includes issue expenses and hedging costs.

Liabilities also include:

- all financial claims payable by the government at the year end,
- estimates of the present value of the government's obligations for future pension contributions and/or benefits under defined benefit pension plans for current and former provincial and other public sector employees, and certain current and former Members of the Legislative Assembly, including deferred adjustments,
- estimates of the government's liabilities for site remediation and reclamation,
- accrued employee vacation entitlements, and
- asset retirement obligations of the SUCH sector organizations.

Note 1 (continued)

Non-financial Assets

Non-financial assets are limited to tangible capital assets, inventories of supplies and prepaid expenses.

Tangible capital assets of commercial enterprises are included in the Consolidated Statement of Financial Position within equity in commercial enterprises. Tangible capital assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included on the Consolidated Statement of Financial Position. Post-secondary institutions and certain departments have collections consisting of historical artifacts and provincial, national and international works of art. The value of these collections is not recognized in these financial statements.

Tangible capital assets are valued at cost less accumulated amortization. Amortization is provided on a straight-line basis over the periods expected to benefit from their use (see Schedule 13). The annual amortization costs are allocated to the functions of the government that employ those assets and reported on the Consolidated Statement of Operations.

Inventories of supplies are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Derivative Contracts

Income and expense on derivative contracts are recorded as investment income or debt servicing costs. Gains and losses from derivative contracts, which are designated as hedges of market risks for purposes of hedge accounting, are recognized in the same period as the gains and losses of the specific assets and liabilities being hedged. Derivative contracts not designated as hedges for purposes of hedge accounting are recorded at fair value (see Note 4).

The estimated amounts receivable and payable from derivative contracts are included in accrued interest receivable and payable respectively.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange for the day, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of the net operating results for the year.

Public Private Partnerships

A public private partnership (P3) is defined as a cooperative venture based on contractual obligations between the Province and one or more public/private/not for profit partners that meets clearly defined public needs for the provision of goods or services.

The Province accounts for P3 projects in accordance with the substance of the underlying agreements. Agreements that transfer substantially all the risks and rewards of ownership of the assets to the Province are classified as capital leases and are accounted for as follows:

- the capital asset value and the corresponding liabilities are recorded at the net present value of the minimum lease payments discounted using the Province's borrowing rate for long term debt at the time of signing the P3 agreement,
- during construction, the capital asset (classified as work in progress) and the corresponding liability are recorded based on the estimated percentage of completion, and
- amortization is accounted for on a straight-line basis over the estimated useful life and commences when the asset is in service.

Note 1 (continued)

Measurement Uncertainty

Estimates are used in accruing revenues, expenses, assets and liabilities in circumstances where the actual results are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, health transfers and Canada social transfer entitlements, royalties derived from non-renewable resources, pension liabilities and private investments and hedge funds.

Personal income tax revenue, totalling $7,516 million (2010: $7,877 million), see Schedule 1, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Personal income growth is inherently difficult to estimate due to subsequent revisions to personal income data. The estimate of personal income growth used in determining personal income tax for the current fiscal year is 4.7% (2010: 1.5%).

Corporate income tax revenue, totalling $3,275 million (2010: $4,754 million), see Schedule 1, is subject to measurement uncertainty due primarily to the timing differences between tax collected and future tax assessments. The Province records corporate income tax revenue as instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments.

Private equities, inflation sensitive and alternative investments of $4,686 million (2010: $4,011 million), see Schedule 6, are subject to measurement uncertainty as the fair value may differ significantly from the values that would have been used had a ready market for these investments existed.

Pension liabilities of $9,922 million (2010: $9,483 million), see Schedule 11, are subject to measurement uncertainty because a Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits.

Natural gas and by-products royalty, totalling $1,416 million (2010: $1,525 million), and bitumen royalty, totalling $3,723 million (2010: $3,160 million), see Schedule 1, are subject to measurement uncertainty. Natural gas and by-products royalty is calculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the Province by royalty payers. These costs and volumes could vary significantly from that initially reported. The Province estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data.

The accounts of SUCH sector organizations are consolidated based on the results of their latest financial year end. Some of these entities have year ends that are other than March 31. Estimation of transactions for the period between their year ends and March 31 is therefore subject to measurement uncertainty.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

NOTE 2 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Due to their short term nature, the fair values of cash and temporary investments, accounts and accrued interest receivable, accounts and accrued interest payable and other accrued liabilities are estimated to approximate their book values.

Note 2 (continued)

The methods used to determine the fair values of temporary and portfolio investments are explained in the following paragraphs:

Public fixed-income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Mortgages and certain non-public provincial debentures are valued at the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The fair value of inflation sensitive and alternative investments including absolute return strategy investments, investments in limited partnerships, private investment funds, private equities and securities with limited marketability is estimated using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

Because quoted market prices are not readily available for inflation sensitive and alternative investments, private equities and real estate, estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that may ultimately be realized. Accordingly, estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of loans and advances made under the authority of the *Alberta Capital Finance Authority Act* is based on the net present value of future cash flows discounted using the Alberta Capital Finance Authority's (the Authority) current cost of borrowing. Fair values of other loans and advances, including those made under the authority of the *Agriculture Financial Services Act*, are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability. The fair value of unmatured debt and debt held by the Authority is an approximation of its fair value to the holder.

The fair value of derivative contracts is included in the fair value of portfolio investments. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest. Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure change in the underlying swap. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Warrants and rights are valued at the year end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the year end exchange rate.

NOTE 3 FINANCIAL RISK MANAGEMENT

(a) Asset Management

The investments that the Province holds are exposed to credit risk and price risk. Price risk is comprised of currency risk, interest rate risk and market risk. In order to earn the best possible return at an acceptable level of risk, the Province has established policies for the asset mix of its investment portfolios.

Note 3 (continued)

The Province reduces its investment risk by holding many different types of assets, investing in securities from various governments and companies in different industries and countries, having quality constraints on fixed income instruments, and restricting amounts exposed to countries designated as emerging markets. The use of derivatives is controlled (see Note 4).

Some of the Province's investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund), which also includes money allocated to the Heritage Fund under the *Access to the Future Act*. The objective is to invest in a diversified portfolio to maximize long-term returns at an acceptable level of risk.

Investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Heritage Scholarship Fund, and the Alberta Cancer Prevention Legacy Fund are managed to provide an annual level of income to intermediary boards responsible for making grants to researchers in the fields of medicine, science and engineering, and to selected students.

The General Revenue Fund also holds a portion of the Province's investments. General Revenue Fund investments are used to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters, and settlements with First Nations.

(b) Liability Management

The objective of the Province's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs (see Schedule 9). In order to achieve this objective, the Province manages four financial risks: interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Province manages these four risks within approved policy guidelines. The debt of provincial corporations is managed separately.

The Province has decided that the most effective liability risk management strategy is to allow existing debt instruments to mature in accordance to their terms.

NOTE 4 DERIVATIVE CONTRACTS AND RELATED CREDIT RISK

A derivative is a financial contract with the following three characteristics:

- its value changes in response to the change in a specified interest rate, equity index price, foreign exchange rate or credit rating;
- it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market; and
- it is settled in the future.

The Province uses various types of derivative contracts held indirectly through pooled investment funds to gain access to equity markets and enhance returns, manage exposure to interest rate risk, currency risk and credit risk, and for asset mix purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows with a counter-party.

Interest rate derivatives allow the Province to exchange interest rate cash flows (fixed, floating and bond index) based on a notional amount. Interest rate derivatives primarily include interest rate swaps, cross currency interest rate swaps, bond index swaps, futures contracts, and options.

Equity replication derivatives provide for the Province to receive or pay cash based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount. Equity derivatives primarily include equity index swaps, futures contracts and rights, warrants and options.

Note 4 (continued)

Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Credit risk derivatives include credit default swaps allowing the Province to buy and sell protection on credit risk inherent in a bond. A premium is paid or received based on a notional amount, in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

The following is a summary of the fair values and maturity schedules of the Province's derivative contracts by type:

	Maturity			Contract Notional Amount [a][b]	Fair Value [b][c]
	Under 1 Year	1 to 3 Years	Over 3 Years		
				In millions	
Interest rate derivatives	53%	6%	41%	$ 31,000	$ 43
Equity replication derivatives	87%	13%	0%	10,374	36
Foreign currency derivatives	100%	0%	0%	10,769	44
Credit risk derivatives	50%	15%	35%	2,841	(26)
Commodity derivatives	52%	48%	0%	2,892	1
Derivatives-related receivables, net				57,876	98
Deposits in futures contracts margin accounts				-	163
Net derivative-related investments 2011				$ 57,876	$ 261
Net derivative-related investments 2010				$ 31,397	$ 339

(a) The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). Credit exposure is limited by dealing with counterparties believed to have good credit rating (A+ or greater).

(b) Includes derivatives of ATB Financial with a contract notional amount of $22,945 million (2010: $6,570 million) and a fair value of $17 million (2010: $80 million).

(c) The method of determining the fair value of derivative contracts is described in Note 2.

NOTE 5 BUDGET

The Consolidated Fiscal Plan documents, which describe the Province's budget for the 2011 fiscal year, were tabled in the Legislature on February 9, 2010. The reporting entity for budget purposes excludes Crown-controlled SUCH sector organizations and the four Alberta Innovates Corporations. However, these are included in the reporting entity for reporting actual results in the consolidated financial statements because these entities are deemed to be controlled by the Province for accounting purposes. For fiscal policy purposes, the budget also excludes the change in pension liabilities.

When there is a difference in scope and basis between the activities reported in the budget and those reported in the financial statements, public sector accounting standards allow that the budget to actual comparison may be done on the same reporting basis as the budget. As a result, the actual results have been presented excluding the Crown-controlled SUCH sector organizations, the Alberta Innovates Corporations and pension liabilities.

Note 5 (continued)

This table uses the same grouping of financial assets and liabilities as the budget presented in the Fiscal Plan.

	2011		2010
	Budget [d]	Actual without SUCH and Innovates Corporations	Actual without SUCH and Innovates Corporations
		In millions	
Financial assets			
Heritage Fund external investments	$ 14,129	$ 14,198	$ 13,838
Self-supporting lending organizations [a]	11,483	12,606	10,671
Alberta Sustainability Fund [b]	8,216	11,192	14,983
Endowments and other funds [c]	3,278	3,302	3,239
Debt Retirement Account (Note 6)	843	843	1,107
Other financial assets	9,131	9,579	10,967
	47,080	51,720	54,805
Liabilities			
Self-supporting lending organizations [a]	10,692	11,627	10,035
Accumulated debt (Note 6)	828	828	1,092
Liabilities for capital projects	4,425	3,199	2,889
Accounts and interest payable and other liabilities	7,719	7,952	7,772
	23,664	23,606	21,788
Net financial assets - fiscal plan basis	23,416	28,114	33,017
Tangible capital assets and inventories of supplies [e]	19,828	18,975	17,532
Net assets - fiscal plan basis	$ 43,244	47,089	50,549
Pension liabilities [f]		(9,716)	(9,279)
Net assets of SUCH sector organizations and Alberta Innovates Corporations		21,887	20,264
Net assets - consolidated financial statement basis		$ 59,260	$ 61,534

(a) Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

(b) The Alberta Sustainability Fund was established to help protect operating and capital spending from short term declines in revenue and to fund the costs of emergencies, disasters and settlements with First Nations.

(c) Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund and Alberta Enterprise Corporation.

(d) The budget column excludes pension liabilities, and the assets and liabilities of Crown-controlled SUCH sector organizations and the Alberta Innovates Corporations.

(e) The budgeted capital investment for the year is $2,802 million with actual capital investment amounting to $2,192 million (2010: $2,324 million).

(f) This excludes pension liability for SUCH sector organizations amounting to $206 million (2010: $204 million).

Note 5 (continued)

A similar analysis is completed to compare the actual operating results of the Province on the same reporting basis as the budget described in the Fiscal Plan:

	2011		2010
	Budget [a]	Actual without SUCH and Innovates Corporations	Actual without SUCH and Innovates Corporations
		In millions	
Revenues - fiscal plan basis	$ 33,964	$ 34,854	$ 35,652
Expenses - fiscal plan basis	38,712	38,264	36,684
Deficit	(4,748)	(3,410)	(1,032)
Withdrawals from the Sustainability Fund	4,748	3,410	1,032
Adjusted annual surplus - fiscal plan basis	-	-	-
Adjustment for withdrawals from the Sustainability Fund		(3,410)	(1,032)
Pension provisions [b]		(437)	(384)
Annual surplus of SUCH sector organizations and Alberta Innovates Corporations		1,585	940
Annual deficit - consolidated financial statement basis		$ (2,262)	$ (476)

(a) The budget column excludes pension provisions and the revenues and expenses of Crown-controlled SUCH sector organizations and the Alberta Innovates Corporations. The financial statements report the budget as presented in the Fiscal Plan tabled in the Legislature on February 9, 2010 and does not include in year budget restatements.

(b) This excludes pension provisions for SUCH sector organizations amounting to $2 million (2010: $46 million).

The annual deficit presented on the consolidated financial statement basis includes the net result of operations of Crown-controlled SUCH sector organizations and the Alberta Innovates Corporations, which are included in the Consolidated Statement of Operations on a line-by-line basis.

NOTE 6 FISCAL RESPONSIBILITY LEGISLATION

Effective April 1, 2005, the *Fiscal Responsibility Act* requires that the financial assets in the Debt Retirement Account must be equal to or greater than the amount of the accumulated debt at the fiscal year end. During 2010-11, the Province complied with the Act. The *Fiscal Responsibility Act* specifically excludes from the definition of accumulated debt any amounts borrowed for the purposes of making advances to or purchasing securities of a Provincial corporation, any amounts borrowed for capital, and any amounts borrowed for the purpose of paying to the post-1992 fund all or any portion of the amounts owing in accordance with the *Teachers' Pension Plans Act*.

Note 6 (continued)

Accumulated Debt

The table below shows the balance of accumulated debt at March 31, 2011.

	2011	2010
	In millions	
Unmatured debt (Schedule 9)	$ 4,712	$ 4,779
Funding obligation for school board debentures	123	160
Adjustments to conform to statutory definition		
Borrowings for provincial corporations	(1,357)	(1,198)
Borrowings to repay the Teachers' Pension Plan Liability	(1,186)	(1,186)
Borrowings for capital purposes, including Alberta Capital Bonds	(1,464)	(1,463)
Accumulated debt as per the *Fiscal Responsibility Act*	$ 828	$ 1,092

In addition, Note 5 shows that funds amounting to $843 million (2010: $1,107 million), at cost, have been set aside in the Debt Retirement Account to retire accumulated debt that has not yet matured.

	2011		2010
	Budget	Actual	Actual
		In millions	
Accumulated debt per the *Fiscal Responsibility Act*	$ 828	$ 828	$ 1,092
Funds available for debt repayment	843	843	1,107
Accumulated debt less funds set aside	$ (15)	$ (15)	$ (15)

NOTE 7 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

The Province has entered into contracts to design, build, finance and operate ring road segments under the following public private partnerships: Anthony Henday – South East Edmonton Ring Road, Stoney Trail – North East Calgary Ring Road, Anthony Henday – North West Edmonton Ring Road and Stoney Trail – South East Calgary Ring Road. The Province has also entered into public private partnership contracts to design, build, finance and maintain schools under the Alberta Schools Alternative Procurement Phase 1 and Phase 2 projects. These contracts include a construction period followed by a 30 year operational period for the ring roads and a 30 year maintenance period for the schools.

The details of the 30 year contracts for those projects that are under construction are as follows:

	Contractor	Date Contract entered into	Scheduled completion date	Date Capital payments begin
Anthony Henday - North West Edmonton Ring Road	NorthwestConnect General Partnership	July 2008	October 2011	November 2011
Stoney Trail - South East Calgary Ring Road	Chinook Roads Partnership	March 2010	September 2013	October 2013
Alberta Schools Alternative Procurement Phase 2	B2L Partnership	April 2010	June 2012	August 2012

Note 7 (continued)

The details of the contracts for those projects that are already operational are as follows:

	Contractor	Date Contract entered into	Completion date	Date Capital payments began
Anthony Henday - South East Edmonton Ring Road	Access Roads Edmonton Ltd.	January 2005	October 2007	November 2007
Stoney Trail - North East Calgary Ring Road	Stoney Trail Group	February 2007	October 2009	November 2009
Alberta Schools Alternative Procurement Phase 1	BBPP Alberta Schools Ltd.	September 2008	June 2010	July 2010

The calculation of the liabilities under public private partnerships is as follows:

	2011 Total	2010 Total
	In millions	
Liabilities, beginning of year	$ 1,425	$ 880
Additions to liabilities during the year	322	552
Principal payments	(13)	(7)
Liabilities, end of year	$ 1,734	$ 1,425

NOTE 8 CONTRACTUAL OBLIGATIONS

Contractual obligations are obligations of the Province to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
	In millions	
Obligations under operating leases, contracts and programs	$ 21,880	$ 23,884
Loans and advances approved	98	66
Obligations under capital leases and public private partnerships		
Operations and maintenance payments	1,830	1,683
Capital payments	4,261	3,822
	$ 28,069	$ 29,455

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Leases, Contracts and Programs

	In millions
2011-12	$ 7,060
2012-13	3,234
2013-14	2,540
2014-15	2,090
2015-16	1,797
Thereafter	5,159
	$ 21,880

Note 8 (continued)

Major commitments included in the above figures are commitments for capital construction contracts for health and education facilities, highways and the Municipal Sustainability Initiative which is a 10 year agreement between the Province and Alberta municipalities for capital and operating purposes.

Obligations under Capital Leases and Public Private Partnerships

Operations and Maintenance Payments

		In millions
2011-12	$	32
2012-13		42
2013-14		47
2014-15		51
2015-16		51
Thereafter		1,607
	$	1,830

Capital Payments

		In millions
2011-12	$	103
2012-13		138
2013-14		147
2014-15		154
2015-16		153
Thereafter		3,566
	$	4,261
Less amount representing interest		(1,986)
	$	2,275

Capital payments include payments for capital leases and for public private partnerships. The capital payments for public private partnerships are fixed, equal monthly payments for the privately financed portion of the costs of building the infrastructure. The present value of these capital payments is recorded as a liability on the Consolidated Statement of Financial Position.

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them.

NOTE 9 CONTINGENT LIABILITIES

Set out below are details of contingent liabilities resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 12. Any losses arising from the settlement of contingent liabilities are treated as current year expenses.

(a) Guarantees

Guarantees amounting to $61 million (2010: $77 million) are detailed in Schedule 14.

(b) Contingent Liabilities

The Province, through the Credit Union Deposit Guarantee Corporation which operates under the authority of the *Credit Union Act*, has a potential liability under guarantees relating to deposits of credit unions. At March 31, 2011 credit unions in Alberta held deposits totalling $16.7 billion (2010: $16.0 billion). Credit unions have assets in excess of deposits which mitigates the Province's risk of loss that could arise from this potential obligation.

Note 9 (continued)

At March 31, 2011, ATB Financial had a contingent liability under guarantees and letters of credit amounting to $347 million (2010: $333 million).

Through the *Public Trustee Act*, the Province unconditionally guarantees the amount outstanding on a client's guaranteed account as administered by the Office of the Public Trustee. As at March 31, 2011, the potential liability of the Province based on the outstanding balance of the Client Guaranteed Accounts is $390 million (2010: $388 million).

(c) Legal Actions

At March 31, 2011, the Province was involved in various legal actions, the outcome of which is not determinable. Accruals have been made in specific instances where it is probable that losses will be incurred which can be reasonably estimated. The resulting loss, if any, from claims in excess of the amounts accrued cannot be determined.

The Province has a contingent liability in respect of 33 claims (2010: 34 claims) concerning aboriginal rights, Indian title and treaty rights. In most cases, these claims have been filed jointly and severally against the Province of Alberta and the Government of Canada, and in some cases involve third parties. Of these claims, 15 (2010:18) have specified amounts totalling $142.9 billion (2010: $145.6 billion) plus a provision for interest and other costs that is not calculable. The other 18 claims (2010: 16 claims) have not specified any amounts.

Further, the Province was named as defendant in various other legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $4.30 billion (2010: $4.53 billion).

(d) Bitumen Royalties

Certain producers have disputed the basis of royalty calculation for bitumen royalties. Bitumen royalties reported may be adjusted by potentially significant amounts following resolution of the dispute.

(e) Tax Assessments

Some of the taxes assessed by the Province are under objection and some are being appealed. The resulting loss, if any, cannot be reasonably estimated.

NOTE 10 TRUST AND OTHER FUNDS UNDER ADMINISTRATION

Trust and other funds under administration are regulated and other funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements. As at March 31, 2011, trust and other funds under administration were as follows:

	2011	2010
	In millions	
Public Sector Pension Plan Funds	$ 31,263	$ 27,488
Teachers' Pension Plan Funds	6,308	5,430
The Workers' Compensation Board Accident Fund	1,359	1,416
Public Trustee	530	532
Special Areas Trust Account	219	207
Various Court Offices and Fines Distribution Trust	121	99
Miscellaneous trust funds	394	391
	$ 40,194	$ 35,563

In addition to the above trust and other funds under administration, the Province holds cash and bank guarantees in the form of letters of credit and promissory notes in the amount of $1,443 million (2010: $1,445 million). The majority of these guarantees are held to assure satisfactory reclamation of coal and oil sands operations, sand and gravel pits, landfills, hazardous waste management and hazardous recyclable facilities.

NOTE 11 DEFINED BENEFIT PLANS

(a) Pension Plans

The Province and boards on behalf of Crown-controlled SUCH sector organizations administer the following contributory defined benefit pension plans for current and former employees of these government entities: the Public Service Pension Plan, the Supplementary Retirement Plan for Public Service Managers, the Management Employees Pension Plan, the Universities Academic Pension Plan, the Local Authorities Pension Plan and the Teachers' Pension Plan.

At December 31, 2010, the Public Service Pension Plan reported a deficiency of $2,067 million (2009: $1,729 million), the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $40 million (2009: $40 million), and the Management Employees Pension Plan reported a deficiency of $397 million (2009: $483 million). The extrapolation of unfunded liabilities to March 31, 2011 is reflected in Schedule 11.

Benefits paid from these plans are based on length of service and pensionable earnings. The average age of the approximately 47,000 active employees is 45. In addition, there are approximately 15,600 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 24,800 retirees. Benefit payments were $387 million in 2011 (2010: $356 million). Total contributions were $610 million in 2011 (2010: $507 million), of which employee contributions amounted to $288 million (2010: $236 million).

The Universities Academic Pension Plan is a defined benefit pension plan primarily comprised of academic staff members and other eligible employees of the Universities of Alberta, Calgary, Lethbridge, Athabasca and the Banff Centre (employers). At December 31, 2010, the Universities Academic Pension Plan reported an actuarial deficiency of $1,123 million (2009: $971 million). The extrapolation of unfunded liabilities to March 31, 2011 is reflected in Schedule 11. The average age of the approximately 7,600 active employees is 48. In addition, there are approximately 1,300 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, this plan provides benefits for approximately 3,800 retirees. Benefit payments were $179 million in 2011 (2010: $165 million). Total contributions were $194 million in 2011 (2010: $176 million), of which employee contributions amounted to $92 million (2010: $84 million).

The Local Authorities Pension Plan is a defined benefit pension plan for eligible employees of local authorities and approved public bodies. At December 31, 2010, the Local Authorities Pension Plan reported an actuarial deficiency of $4,635 million (2009: $3,999 million). The extrapolation of unfunded liabilities to March 31, 2011 is reflected in Schedule 11. The average age of the approximately 140,000 active employees is 45. In addition, there are approximately 23,150 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, this plan provides benefits for approximately 44,700 retirees. Benefit payments were $622 million in 2011 (2010: $577 million). Total contributions were $1,519 million in 2011 (2010: $1,344 million), of which employee contributions amounted to $727 million (2010: $640 million).

The Teachers' Pension Plan Fund is a defined benefit pension plan for the teachers of Alberta. At March 31, 2011, the Fund reported an actuarial deficiency of $9,565 (2010: $8,850). The average age of the approximately 47,800 active employees is 44. In addition, there are approximately 7,800 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, this plan provides benefits for approximately 38,500 retirees. Benefit payments were $610 million in 2011 (2010: $587 million). Total contributions were $555 million in 2011(2010: $484 million), of which employee contributions amounted to $284 million (2010: $252 million).

There are additional employee pension plans in ATB Financial which is consolidated on the modified equity basis. The net assets of the pension plans maintained by ATB Financial are included in the Equity in commercial enterprises line in the Consolidated Statement of Financial Position. Total accrued benefit obligations equal $236 million (2010: $207 million), with estimated pension fund assets of $196 million (2010: $153 million), and an unamortized actuarial loss of $70 million (2010: $65 million). The accrued net asset is $44 million (2010: $27 million).

Note 11 (continued)

In addition to the aforementioned pension plans of the Province, there are several agencies which maintain their own plans to compensate senior staff members that do not participate in the regular government pension plans. These agencies include the Energy Resource Conservation Board, Alberta Utilities Commission, Alberta Securities Commission, and some SUCH sector entities. Additional information can be found in their respective financial statements.

(b) Long Term Disability Income Continuance Plans

The government also administers two long-term disability income continuance plans. As at March 31, 2011, the Bargaining Unit Plan reported an actuarial deficiency of $4.1 million (2010: deficiency of $8.3 million) and the Management, Opted Out, and Excluded Plan reported an actuarial surplus of $7.0 milion (2010: surplus of $7.4 million). At March 31, 2011, the government's share of the estimated accrued benefit liability for these plans has been recognized in these financial statements.

NOTE 12 ENDOWMENT FUNDS

	2011	2010
	In millions	
Endowment funds of universities, colleges and hospitals	$ 1,485	$ 1,435

Endowment fund assets are included in Portfolio investments in the Consolidated Statement of Financial Position. Donors have placed restrictions on their contribution to the endowment funds of universities, colleges and hospitals. The principal restriction is that the original contribution should not be spent. Capital preservation, investment returns and the impact of inflation may also form restrictions on these funds.

NOTE 13 OTHER ADJUSTMENTS TO NET ASSETS

The reconciliation of other adjustments to Net assets is as follows:

	2011	2010
	In millions	
Other adjustments to net assets		
Accumulated unrealized losses (Schedule 7)	$ (44)	$ (77)
Acquisition of highways (Schedule 13(g)) [(a)]	22	38
Change in accounting policy [(b)]	-	24
Increase in endowments (Note 12)	49	102
Consolidation adjustments relating to SUCH sector	(39)	(53)
	$ (12)	$ 34

(a) During 2010-11, the Province assumed responsibility for the operation and maintenance of a section of the Stoney Trail South East Ring Road in the City of Calgary. The Province recorded this acquisition of highways and bridges as an adjustment to net assets.

(b) To reflect the impact of change of accounting policy for recognition of certain land disturbance fees and timber damage assessment.

NOTE 14 COMPARATIVE FIGURES

Certain 2010 figures have been reclassified, where necessary, to conform to 2011 presentation.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

REVENUES

Schedule 1

	2011	2010
	In millions	
Income taxes		
Personal income tax	$ 7,516	$ 7,877
Corporate income tax	3,275	4,754
	10,791	12,631
Other taxes		
Education property tax	1,779	1,717
Tobacco tax	893	864
Fuel tax	662	700
Freehold mineral rights tax	128	124
Insurance taxes	293	281
Alberta tourism levy	65	60
	3,820	3,746
Non-renewable resource revenue		
Natural gas and by-products royalty	1,416	1,525
Bitumen royalty	3,723	3,160
Bonuses and sales of Crown leases	2,635	1,165
Crude oil royalty	2,236	1,848
Rentals and fees	161	158
Coal royalty	31	31
Royalty tax credit/drilling stimulus initiatives	(1,774)	(1,119)
	8,428	6,768
Transfers from Government of Canada		
Health transfers	2,215	2,329
Canada social transfer	1,214	1,188
Agriculture support programs	273	376
Labour market agreements	229	239
Other	1,521	1,210
	5,452	5,342
Net income from commercial operations		
Lottery operations	1,441	1,405
Liquor operations	683	716
Other	213	138
	2,337	2,259
Net investment income	2,486	3,541
Premiums, fees and licences		
Health fees and charges	630	598
Motor vehicle licences	383	358
Crop and hail insurance premiums	257	222
Energy Resources Conservation Board levies	115	111
Land Titles	53	56
Other	548	569
	1,986	1,914
Other		
Tuition	936	841
Sales, rentals and services	778	783
Fundraising, donations, gifts and contributions	692	643
Fines and penalties	109	111
Climate change and emissions management	76	60
Other	911	873
	3,502	3,311
	$ 38,802	$ 39,512

EXPENSES BY MINISTRY **Schedule 2**

	2011	2010
	In millions	
Program expenses		
Offices of the Legislative Assembly	$ 90	$ 89
Ministries		
Health and Wellness	15,095	14,402
Education	6,585	6,264
Advanced Education and Technology	4,691	4,688
Seniors and Community Supports	2,052	1,947
Transportation	1,896	2,337
Children and Youth Services	1,173	1,136
Municipal Affairs	1,171	603
Employment and Immigration	1,153	1,174
Finance and Enterprise	1,094	961
Agriculture and Rural Development	951	1,351
Infrastructure	680	511
Solicitor General and Public Security	640	611
Housing and Urban Affairs	491	601
Justice	479	450
Sustainable Resource Development	451	485
Energy	352	388
Culture and Community Spirit	286	309
Environment	286	282
Service Alberta	278	291
Aboriginal Relations	179	144
Tourism, Parks and Recreation	167	201
Treasury Board	39	66
Executive Council	29	29
International and Intergovernmental Relations	22	24
	40,330	39,344
Debt servicing costs	295	214
Pension provisions [a] (Schedules 4 and 11)	439	430
	$ 41,064	$ 39,988

(a) Pension provisions are related to the Ministry of Education, the Ministry of Advanced Education and Technology, the Ministry of Finance and Enterprise, and the Ministry of Health and Wellness.

EXPENSES BY OBJECT

Schedule 3

	2011	2010
	In millions	
Grants	$ 11,481	$ 10,400
Services	7,096	7,520
Salaries, wages, employment contracts and benefits	15,521	15,180
Amortization of tangible capital assets and consumption of inventories of supplies	2,417	2,290
Interest and amortization of exchange gains and losses	443	323
Valuation adjustments (Schedule 4)	566	546
Materials and supplies	2,564	2,736
Travel and communication	270	296
Pension liability funding	497	419
Other	209	278
	$ 41,064	$ 39,988

VALUATION ADJUSTMENTS

Schedule 4

	2011	2010
	In millions	
Pension provisions (Schedule 11)	$ 439	$ 430
Provision for losses, doubtful accounts, loans, guarantees and indemnities	105	89
Provision for employee benefits other than pensions	22	27
	$ 566	$ 546

CASH AND TEMPORARY INVESTMENTS

Schedule 5

	2011		2010	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Fixed-income securities [a]				
Government of Canada, direct and guaranteed	$ 606	$ 607	$ 385	$ 386
Provincial, direct and guaranteed	72	73	1,066	1,067
Corporate	772	773	2,123	2,120
Municipal	6	6	126	129
Pooled investment funds	96	96	68	68
Other	1,876	1,876	1,675	1,675
	3,428	3,431	5,443	5,445
Cash and cash equivalents	3,696	3,696	5,322	5,319
	$ 7,124	$ 7,127	$ 10,765	$ 10,764

(a) Fixed-income securities have an average effective market yield of 0.9% - 2.4% (2010: 0.3% - 2.5%) per annum. All (2010: all) of the securities had terms to maturity of less than one year.

PORTFOLIO INVESTMENTS **Schedule 6**

	2011		2010	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Interest bearing securities [(a)(b)(c)]				
Deposits and short-term securities	$ 693	$ 693	$ 249	$ 249
Bonds and mortgages	19,422	19,702	21,486	21,909
	20,115	20,395	21,735	22,158
Equities				
Canadian public equities	1,980	2,348	2,793	3,070
Global developed public equities	6,950	7,300	6,676	6,737
Emerging markets public equities	53	53	49	46
Private equities	889	939	755	761
Pooled investment funds	37	38	32	31
	9,909	10,678	10,305	10,645
Inflation sensitive and alternative investments				
Private real estate	1,816	2,316	1,525	1,874
Inflation sensitive real return bonds	6	6	95	97
Private infrastructure	784	724	688	597
Absolute return strategy hedge funds	836	916	825	872
Timberland	231	244	94	94
Private debt and loans	87	87	-	-
Other investments	37	37	29	25
	3,797	4,330	3,256	3,559
	$ 33,821	$ 35,403	$ 35,296	$ 36,362

(a) The majority of the Province's interest bearing securities are held by the General Revenue Fund. As at March 31, 2011, the General Revenue Fund held $11.3 billion (2010: $15.2 billion) of interest bearing securities at cost (fair value $11.6 billion (2010: $15.5 billion)). The securities held have an average effective market yield of 2.3% (2010: 3.7%) per annum. Of the securities held, 15% (2010: 26%) had terms to maturity of less than one year.

(b) Interest bearing securities are also held by the Alberta Heritage Savings Trust Fund (Heritage Fund). As at March 31, 2011, the Heritage Fund held $3.8 billion (2010: $3.6 billion) of interest bearing securities at cost (fair value $3.8 billion (2010: $3.6 billion)). The securities held have an average effective market yield of 4.5% (2010: 5.0%) per annum and the following term to maturity structure based on principal amount:

	2011	2010
	%	
Under 1 year	11	3
1 to 5 years	32	33
6 to 10 years	31	36
11 to 20 years	13	13
Over 20 years	13	15
	100	100

(c) The amount held as portfolio investments by Crown-controlled SUCH sector organizations are consolidated on a line-by-line basis. Interest bearing securities reported by post secondary institutions have an average effective market yield of 3.3% (2010: 3.5%) per annum, Alberta Health Services has an average effective market yield of 2.1% (2010: 3.7%) per annum, and school jurisdictions have an approximate effective market yield of 2.8% (2010: 2.8%) per annum. The securities have the following term to maturity structure based on principal amount:

	2011			2010		
	Alberta Health Services	Post Secondary Institutions	School Jurisdictions	Alberta Health Services	Post Secondary Institutions	School Jurisdictions
		%			%	
Under 1 year	2	65	18	6	64	20
1 to 5 years	85	19	24	39	18	30
6 to 10 years	10	8	16	31	7	17
11 to 20 years	3	3	15	24	4	18
Over 20 years	-	5	27	-	7	15
	100	100	100	100	100	100

EQUITY IN COMMERCIAL ENTERPRISES

Schedule 7

	2011	2010
	In millions	
Accumulated surpluses		
Accumulated surpluses at beginning of year	$ 2,371	$ 2,260
Total revenue	4,797	4,730
Total expense	2,460	2,471
Net income from commercial operations	2,337	2,259
Change in accumulated unrealized losses	(44)	(77)
Net transfers to departments and other adjustments	(2,116)	(2,071)
Accumulated surpluses at end of year	$ 2,548	$ 2,371
Represented by		
Assets		
Loans	$ 22,948	$ 22,539
Investments	2,187	1,280
Other	3,009	2,345
	28,144	26,164
Liabilities		
Accounts payable	1,315	944
Deposits [a]	23,982	22,579
Unmatured debt	68	45
Capital deposits	231	225
	25,596	23,793
	$ 2,548	$ 2,371
Equity in commercial enterprises at end of year		
As reported by the entities		
Alberta Treasury Branches	$ 1,964	$ 1,809
Alberta Gaming and Liquor Commission	427	420
Credit Union Deposit Guarantee Corporation	154	140
N.A. Properties (1994) Ltd.	3	2
	2,548	2,371
Subordinated debentures in support of deposit guarantees	67	45
	$ 2,615	$ 2,416

(a) The repayment of all deposits without limit, including accrued interest, is guaranteed by the Province in respect of which the Province assesses an annual deposit guarantee fee payable by ATB Financial.

At March 31, 2011, ATB Financial had a contingent liability under guarantees and letters of credit amounting to $347 million (2010: $333 million).

LOANS AND ADVANCES

Schedule 8

	2011	2010
	In millions	
Loans and advances made under the authority of		
Alberta Capital Finance Authority Act [a]	$ 8,696	$ 7,176
Agriculture Financial Services Act [b]	1,403	1,265
Student Loan Act	618	447
Alberta Heritage Savings Trust Fund Act	286	290
Alberta Housing Act	8	3
Financial Administration Act	6	21
	11,017	9,202
Less allowance for doubtful accounts	348	309
	$ 10,669	$ 8,893

(a) The fair value of the loans as at March 31, 2011 was $9,202 million (2010: $7,682 million). Municipal loans on average yield 4.9% (2010: 5.2%) per annum.

(b) The fair value of the loans receivable is not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from estimated financial markets for such loans. Agricultural loan portfolios on average yield 5.4% (2010: 5.7%) per annum.

UNMATURED DEBT

Schedule 9

	2011				2010	
	Effective Rate [a]	Modified Duration [b]	Book Value [a]	Fair Value [a]	Book Value [a]	Fair Value [a]
	%	years	*In millions*			
Direct debt						
Canadian dollar debt						
Floating rate and short-term						
fixed rate [c]	7.76	0.73	$ 400	$ 423	$ 493	$ 515
Fixed rate long-term [d][e]	4.21	6.68	4,241	4,388	4,213	4,349
	4.53	6.16	4,641	4,811	4,706	4,864
Alberta Social Housing Corporation						
Canadian dollar fixed rate debt			71	100	73	101
			$ 4,712	$ 4,911	$ 4,779	$ 4,965

(a) Book value represents the amount the Province owes. Fair value approximates market value to the debt holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. Effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Modified duration is the weighted average term to maturity of a security's cash flows (i.e. interest and principal) and is a measure of price volatility. The greater a bond's modified duration, the greater the impact a change in interest rates will have on its value.

(c) Floating rate debt includes short-term debt, term debt with less than one year to maturity, and term debt with interest rate reset within a year.

(d) Canadian dollar fixed rate debt includes $1,686 million (2010: $1,009 million) held by the Canada Pension Plan Investment Fund.

(e) Includes Alberta Capital Bonds with a par value of $78 million (2010: $79 million) and borrowing of $1,186 million to repay the Teachers' Pension Plan liability.

Debt principal repayment requirements (based on par value) in each of the next five years, including short-term debt maturing in 2011-12 and thereafter, are as follows:

	In millions
2011-12	$ 452
2012-13	321
2013-14	114
2014-15	1,198
2015-16	143
Thereafter	2,484
	$ 4,712

DEBT OF ALBERTA CAPITAL FINANCE AUTHORITY

Schedule 10

	2011		2010	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Alberta Capital Finance Authority				
Canadian dollar fixed rate debt [(a)]	$ 5,654	$ 6,030	$ 5,564	$ 6,316
Canadian dollar floating rate debt	4,006	4,028	2,536	2,434
	$ 9,660	$ 10,058	$ 8,100	$ 8,750
Effective rate per annum		5.0%		5.0%

(a) Canadian dollar fixed rate debt includes $1,116 million (2010: $1,116 million) held by the Canada Pension Plan Investment Fund.

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2011-12 and thereafter, are as follows:

	In millions
2011-12	$ 1,779
2012-13	2,125
2013-14	1,320
2014-15	700
2015-16	853
Thereafter	2,883
	$ 9,660

The Province accounts for the liabilities for pension obligations that the Government of Alberta has as an employer and as an employer for organizations that are controlled by the Province, including government sector entities and Crown-controlled SUCH sector organizations for former and current employees in the Local Authorities Pension Plan, the Management Employees Pension Plan, the Supplementary Retirement Plan for Public Service Managers, the Provincial Judges and Masters in Chambers Pension Plan, the Teachers' Pension Plan, the Universities Academic Pension Plan, Supplementary Executive Retirement Plans, and the Public Service Pension Plan.

The Province also accounts for the specific commitments made by the Government of Alberta for pre-1992 pension obligations to the Teachers' Pension Plan, the Public Service Management (Closed Membership) Pension Plan, the Universities Academic Pension Plan and the Special Forces Pension Plan. In 1992, there was pension plan reform resulting in pre-1992 and post-1991 arrangements for several pension plans.

The Province also accounts for the obligation to the Members of the Legislative Assembly Pension Plan.

Pension liabilities are as follows:

	2011		2010
	Pension Liabilities	Pension Provisions (Recovery) (Schedule 4)	Pension Liabilities
		In millions	
Liabilities for the Province's employer share for former and current employees			
Local Authorities Pension Plan [a]	$ 410	$ 96	$ 314
Management Employee Pension Plan [b]	137	45	92
Supplementary Retirement Plan for Public Service Managers [c]	40	-	40
Provincial Judges and Masters in Chambers Pension Plan [d]	2	(9)	11
Public Service Pension Plan [e]	67	67	-
Teachers' Pension Plan [f]	418	91	327
Universities Academic Pension Plan [h]	168	5	163
Supplementary Executive Retirement Plans [i]	38	(3)	41
	1,280	292	988
Liabilities for the Province's commitment towards pre-1992 obligations			
Teachers' Pension Plan [f]	7,540	153	7,387
Public Service Management (Closed Membership) Pension Plan [g]	621	(29)	650
Universities Academic Pension Plan [h]	316	23	293
Special Forces Pension Plan [h]	121	1	120
	8,598	148	8,450
Members of the Legislative Assembly Pension Plan [j]	44	(1)	45
	$ 9,922	$ 439	$ 9,483

The Local Authorities Pension Plan, the Management Employees Pension Plan, the Supplementary Retirement Plan for Public Service Managers, the Provincial Judges and Masters in Chambers Pension Plan and the Public Service Pension Plan have reported a total deficiency as of the pension plans' fiscal year-ends of $7,141 million (2010: $6,261 million). The Province's share of the total deficiency, as an employer, is $2,862 million (2010: $2,546 million) of which $2,199 million (2010: $2,086 million) is unamortized losses that will be amortized over the employee average remaining service life of each plan and $7 million (2010: $3 million) is due to timing differences between the pension plans' fiscal year-ends and March 31, 2011 resulting in the pension plan liability reported by the Province for these plans of $656 million (2010: $457 million).

The Teachers' Pension Plan has reported a total deficiency of $2,025 million (2010: $1,463 million) for service after 1992. The Province's share of the total deficiency is $982 million (2010: $709 million) of which $564 million (2010: $382 million) is unamortized losses that will be amortized over the average remaining service life of the plan resulting in a pension plan liability reported by the Province for former and current employees of $418 million (2010: $327 million).

The Universities Academic Pension Plan has reported an actuarial deficiency of $993 million (2010: $924 million). The Province's share of the total deficiency, as an employer, is $339 million (2010: $315 million) of which $171 million (2010: $152 million) is unamortized losses that will be amortized over the average remaining service life of the plan resulting in a pension liability reported by the Province for former and current employees of $168 million (2010: $163 million).

The following is a description of each pension liability:

(a) The Local Authorities Pension Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, Alberta Health Services, school divisions, school districts, colleges, technical institutes and certain commissions, foundations, agencies, libraries, corporations, associations and societies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 6.23% of pensionable earnings shared equally between employees and employers until December 31, 2022.

(b) The Management Employee Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 7.8% of pensionable earnings shared between employees and employers until December 31, 2017. Current services costs are funded by employers and employees.

(c) The Supplementary Retirement Plan for Public Service Managers is a contributory defined benefit pension plan for certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds the maximum pensionable salary limit under the *Income Tax Act*. The Plan is supplementary to the MEPP. The contribution rates in effect at December 31, 2010 were unchanged at 10.5% of pensionable salary in excess of the maximum pensionable salary limit for eligible employees and designated employers, however, the rate increased as of January 1, 2011 to 11.16%.

(d) The Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Judges and Masters in Chambers of the Province of Alberta. Current service costs are funded by the Province and plan members at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2011 are 7.00% of capped salary for plan members and 14.65% of capped salary for the Province. Benefits are payable by the Province if assets are insufficient to pay for all benefits under the Plan.

(e) The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province, approved provincial agencies and public bodies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by an actuarial funding valuation are expected to be funded by special payments currently totalling 6.68% of pensionable earnings shared equally between employees and employers until December 31, 2020. Current service costs are funded by employers and employees.

(f) The *Teachers' Pension Plans Act* requires all teachers under contract with public and separate school jurisdictions in Alberta to contribute to the Teachers' Pension Plan. The Province assumed responsibility for the entire unfunded pre-1992 pension obligation of the Teachers' Pension Plan. In 2009-10 there was a repayment of $1,186 million towards the liability. The costs of all benefits paid under the pre-1992 Teachers' Pension Plan are paid by the Province. In addition, the Province is responsible for 50% of the unfunded liability, any current service costs and certain cost of living benefits for service after August 1992.

(g) The Public Service Management (Closed Membership) Pension Plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. The costs of all benefits under the Plan are paid by the Province.

(h) Under the *Public Sector Pension Plans Act*, the Province has a liability for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces pension plans.

For the Universities Academic Pension Plan, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25% of pensionable salaries by the Province and contributions by employees and employers to fund the remaining amount, as determined by the plan valuation, until December 31, 2043. Current service costs are funded by employers and employees.

For the Special Forces Pension Plan, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45% by the Province and 27.27% each by employers and employees, until December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

(i) Certain consolidated entities provide defined supplementary executive retirement plans for certain management staff, and other benefit plans for all or specific groups of staff, depending on the plans. The cost of these benefits are actuarially determined on an annual basis using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage.

(j) The Province has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after that date. The costs for all benefits under the plan are paid by the Province.

Pension liabilities are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services and actuarial extrapolations performed at December 31, 2010 or March 31, 2011. The assumptions used in the valuations and extrapolations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

Information about the economic assumptions used in the most recent actuarial extrapolations for accounting purposes is provided below for each plan. The economic assumptions used at the latest extrapolation date are not necessarily the same assumptions used at the latest valuation date. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation Date	Latest Extrapolation Date	Salary Escalation Rate %	Inflation Rate %	Discount Rate %
Teachers' Pre-1992 Pension Plan	August 2010	March 2011	3.50	2.25	5.00
Teachers' Post-1992 Pension Plan	August 2010	March 2011	3.50	2.25	6.50
Public Service Management (Closed Membership) Pension Plan	December 2008	December 2010	-	2.25	5.00
Universities Academic Pension Plan	December 2008	March 2011	3.50	2.25	6.50
Local Authorities Pension Plan	December 2009	December 2010	3.50	2.25	6.00
Public Service Pension Plan	December 2009	December 2010	3.50	2.25	6.40
Members of the Legislative Assembly Pension Plan	March 2009	March 2011	-	2.25	5.00
Management Employees Pension Plan	December 2009	December 2010	3.50	2.25	6.40
Provincial Judges and Masters in Chambers Pension Plan	December 2008	March 2010	3.50	2.25	6.10
Supplementary Retirement Plan for Public Service Managers	December 2009	December 2010	3.50	2.25	4.50
Special Forces Pension Plan	December 2008	December 2010	3.50	2.25	6.10

A separate pension plan fund is maintained for each pension plan except for the Teachers' Pre-92 Pension Plan, the Members of the Legislative Assembly Pension Plan and the Supplementary Executive Retirement Plans. Each pension plan fund reports annually through financial statements.

OTHER ACCRUED LIABILITIES **Schedule 12**

	2011	2010
	In millions	
Vacation entitlements	$ 1,202	$ 1,192
Guarantees, indemnities and remissions	1	2
	$ 1,203	$ 1,194

TANGIBLE CAPITAL ASSETS

Schedule 13

	General Capital Assets						Infrastructure Assets					2011 Total	2010 Total
	Land (a)	Buildings	Computer hardware and software	Equipment (b)	Other (c)	Sub Total	Land improvements (d)	Provincial highways, roads and airstrips (e)	Bridges	Dams and water management structures (f)	Sub Total		
Estimated Useful Life	Indefinite	10-50 yrs	3-10 yrs	3-40 yrs	3-50 yrs		10-40 yrs	20-50 yrs	50 yrs	25-80 yrs			
							In millions						
Historical Cost													
Beginning of year	$ 2,052	$ 24,825	$ 3,067	$ 4,438	$ 1,106	$ 35,488	$ 355	$ 13,782	$ 1,587	$ 1,316	$ 17,040	$ 52,528	$ 47,396
Additions	170	2,434	398	536	141	3,679	17	1,321	85	23	1,446	5,125	5,453
Transfers and adjustments [g]	-	(2)	(4)	(25)	2	(29)	-	2	22	-	24	(5)	38
Disposals including write-downs	(12)	(14)	(116)	(159)	(9)	(310)	-	-	(4)	-	(4)	(314)	(359)
	2,210	27,243	3,345	4,790	1,240	38,828	372	15,105	1,690	1,339	18,506	57,334	52,528
Accumulated Amortization													
Beginning of year	-	8,924	2,024	2,708	611	14,267	192	3,441	355	329	4,317	18,584	17,365
Amortization expense	-	603	288	382	83	1,356	9	288	35	18	350	1,706	1,560
Transfers and adjustments	-	-	(1)	(17)	-	(18)	-	-	-	-	-	(18)	
Effect of disposals including write-downs	-	(19)	(106)	(144)	(7)	(276)	-	-	-	-	-	(276)	(341)
	-	9,508	2,205	2,929	687	15,329	201	3,729	390	347	4,667	19,996	18,584
Net Book Value at March 31, 2011	$ 2,210	$ 17,735	$ 1,140	$ 1,861	$ 553	$ 23,499	$ 171	$ 11,376	$ 1,300	$ 992	$ 13,839	$ 37,338	
Net Book Value at March 31, 2010	$ 2,052	$ 15,901	$ 1,043	$ 1,730	$ 495	$ 21,221	$ 163	$ 10,341	$ 1,232	$ 987	$ 12,723		$ 33,944

(a) Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

(b) Equipment includes SuperNet, vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

(c) Other tangible capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

(d) Land improvements include parks development and grazing reserves.

(e) Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices, and include secondary highways and bridges and some key arterial roadways within cities.

(f) Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

(g) In the 2010-11 fiscal year, the Province assumed responsibility for $22 million of arterial highways and bridges in the City of Calgary, which has been recorded as an adjustment to Net assets. Also included are adjustments for post secondary institutions for accounting policy alignments and reclassifications between capital asset categories.

GUARANTEES

Schedule 14

	2011	2010	Expiry Date
	In millions		
Feeder Associations Guarantee Act	$ 42	$ 49	Ongoing
Agriculture Financial Services Act	8	12	Ongoing
Alberta Housing Act	9	11	2011
Student Loan Act	4	6	Ongoing
	63	78	
Less estimated liability			
Guarantees	2	1	
	$ 61	$ 77	

Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

Guarantee programs under the following Acts are ongoing:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million),
- *Agriculture Financial Services Act*, and
- *Student Loan Act*.

The lender takes appropriate security prior to issuing to the borrower a loan which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

The financial statements of the following organizations are fully consolidated in these financial statements:

GOVERNMENT SECTOR ENTITIES

Offices of the Legislative Assembly

Support to the Legislative Assembly
Office of the Auditor General
Office of the Ombudsman
Office of the Chief Electoral Officer
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner

Departments

Aboriginal Relations
Advanced Education and Technology
Agriculture and Rural Development
Children and Youth Services
Culture and Community Spirit
Education
Employment and Immigration
Energy
Environment
Executive Council
Finance and Enterprise
Health and Wellness
Housing and Urban Affairs
Infrastructure
International and Intergovernmental Relations
Justice
Municipal Affairs
Seniors and Community Supports
Service Alberta
Solicitor General and Public Security
Sustainable Resource Development
Tourism, Parks and Recreation
Transportation
Treasury Board

Regulated Funds

Access to the Future Fund
Alberta Cancer Prevention Legacy Fund
Alberta Heritage Foundation for Medical Research Endowment Fund
Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Heritage Science and Engineering Research Endowment Fund
Alberta Lottery Fund
Alberta Risk Management Fund
Alberta School Foundation Fund

Regulated Funds (continued)

Climate Change and Emissions Management Fund
Environmental Protection and Enhancement Fund
Historic Resources Fund
Land Stewardship Fund [a]
Post-closure Stewardship Fund [b]
Provincial Judges and Masters in Chambers Reserve Fund
Supplementary Retirement Plan Reserve Fund
Victims of Crime Fund

Provincial Agencies

Agriculture Financial Services Corporation
Alberta Capital Finance Authority
Alberta Enterprise Corporation
Alberta Foundation for the Arts
Alberta Historical Resources Foundation
Alberta Innovates - Bio Solutions
Alberta Innovates - Energy and Environment Solutions
Alberta Innovates - Health Solutions
Alberta Innovates - Technology Futures
Alberta Investment Management Corporation
Alberta Livestock and Meat Agency
Alberta Local Authorities Pension Plan Corp.
Alberta Pensions Services Corporation
Alberta Petroleum Marketing Commission
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Sport, Recreation, Parks and Wildlife Foundation
Alberta Utilities Commission
Calgary and Area Child and Family Services Authority
Central Alberta Child and Family Services Authority
East Central Alberta Child and Family Services Authority
Edmonton and Area Child and Family Services Authority
Energy Resources Conservation Board
Human Rights Education and Multiculturalism Fund
Metis Settlements Child and Family Services Authority
Natural Resources Conservation Board
North Central Alberta Child and Family Services Authority
Northeast Alberta Child and Family Services Authority
Northwest Alberta Child and Family Services Authority
Persons with Developmental Disabilities Calgary Region Community Board
Persons with Developmental Disabilities Central Region Community Board
Persons with Developmental Disabilities Edmonton Region Community Board
Persons with Developmental Disabilities Northeast Region Community Board
Persons with Developmental Disabilities Northwest Region Community Board
Persons with Developmental Disabilities South Region Community Board
Southeast Alberta Child and Family Services Authority
Southwest Alberta Child and Family Services Authority

Provincial Agencies (continued)

The Government House Foundation
The Wild Rose Foundation
Travel Alberta

Non-commercial Crown-controlled Corporation

Alberta Insurance Council

CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS

School Jurisdictions and Charter Schools
Almadina School Society
Aspen View Regional Division No. 19
Aurora School Ltd.
Battle River Regional Division No. 31
Black Gold Regional Division No. 18
Boyle Street Education Centre
Buffalo Trail Public Schools Regional Division No. 28
Calgary Arts Academy Society
Calgary Girls' School Society
Calgary Roman Catholic Separate School District No. 1
Calgary School District No. 19
Calgary Science School Society
Canadian Rockies Regional Division No. 12
CAPE-Centre for Academic and Personal Excellence Institute
Cardiff Roman Catholic Separate School District No. 684
Chinook's Edge School Division No. 73
Christ the Redeemer Catholic Separate Regional Division No. 3
Clearview School Division No. 71
Cunningham Roman Catholic Separate School District No. 704
East Central Alberta Catholic Separate Schools Regional Division No. 16
East Central Francophone Education Region No. 3
Edmonton Catholic Separate School District No. 7
Edmonton School District No. 7
Elk Island Catholic Separate Regional Division No. 41
Elk Island Public Schools Regional Division No. 14
Evergreen Catholic Separate Regional Division No. 2
Foothills School Division No. 38
Fort McMurray Public School District No. 2833
Fort McMurray Roman Catholic Separate School District No. 32
Fort Vermilion School Division No. 52
Foundations for the Future Charter Academy Charter School Society
Golden Hills School Division No. 75
Grande Prairie Roman Catholic Separate School District No. 28
Grande Prairie School District No. 2357
Grande Yellowhead Public School Division No. 77
Grasslands Regional Division No. 6
Greater North Central Francophone Education Region No. 2

School Jurisdictions and Charter Schools (continued)

Greater Southern Public Francophone Education Region No. 4
Greater Southern Separate Catholic Francophone Education Region No. 4
Greater St. Albert Catholic Regional Division No. 29
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76
Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7
Prairie Land Regional Division No. 25
Prairie Rose School Division No. 8
Red Deer Catholic Regional Division No. 39
Red Deer Public School District No. 104
Rocky View School Division No. 41
St. Albert Protestant Separate School District No. 6
St. Paul Education Regional Division No. 1
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38
Sturgeon School Division No. 24
Suzuki Charter School Society
Valhalla School Foundation
Westmount Charter School Society
Westwind School Division No. 74
Wetaskiwin Regional Division No. 11
Wild Rose School Division No. 66
Wolf Creek School Division No. 72

Universities

Athabasca University
Grant MacEwan University
Mount Royal University
The University of Alberta
The University of Calgary
The University of Lethbridge

Colleges

Alberta College of Art and Design
Bow Valley College
Grande Prairie Regional College
Keyano College
Lakeland College
Lethbridge College
Medicine Hat College
NorQuest College
Northern Lakes College
Olds College
Portage College
Red Deer College

Technical Institutes and the Banff Centre

Northern Alberta Institute of Technology
Southern Alberta Institute of Technology
Banff Centre

Alberta Health Services and Other Health Entities

Alberta Cancer Foundation
Alberta Health Services
Calgary Health Trust
Health Quality Council of Alberta

The following organizations are accounted for on the modified equity basis in these financial statements:

Commercial Enterprises

Alberta Gaming and Liquor Commission
ATB Financial
Credit Union Deposit Guarantee Corporation
N.A. Properties (1994) Ltd.

Commercial Crown-controlled Corporation

Gainers Inc.

Non-commercial Crown-controlled Corporation

Safety Codes Council

(a) The Land Stewardship Fund was created under the authority of the *Public Lands Act* and was established effective April 1, 2010.
(b) The Post-closure Stewardship Fund was created under the authority of the *Mines and Minerals Act* and was established effective December 2, 2010.

GLOSSARY

Absolute return strategies: Absolute return strategies (Hedge Funds) encompass a wide variety of investments with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these strategies is buying undervalued securities and selling short overvalued securities. Some of the major types of strategies include long/short equity, merger arbitrage, fixed income arbitrage, macroeconomic strategies, convertible arbitrage, distressed securities and short selling.

Accrued interest: Interest income that has been earned but not paid in cash at the financial statement date.

Alternative investments: Investments considered outside of the traditional asset class of stocks, bonds and cash. Examples include hedge funds, private equities, private income, timberland and asset-backed commercial paper.

Ask price: The price a seller is willing to accept for a security, also known as the offer price.

Asset mix: The percentage of an investment fund's assets allocated to major asset classes (for example 50% equities, 30% interest-bearing securities and 20% inflation sensitive and alternative investments).

Bid price: The price a buyer is willing to pay for a security.

Call provision: An option included in a bond that gives the bond issuer the right to buy back all or part of a bond issue prior to maturity.

Counterparty risk: The risk that the other party in an agreement will default.

Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Debenture: A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date. It is usually unsecured, meaning there are no liens or pledges on specific assets.

Deferred capital contribution: An organization, which follows the deferral method of accounting, has a deferred capital contribution when an external party or a government sector entity contributes funds to the organization for the purchase of a tangible capital asset and the asset has not been purchased at the financial statement date. When the asset is purchased, the amount contributed is transferred to an account called unamortized deferred capital contributions.

Deferred contribution: An organization, which follows the deferral method of accounting, has a deferred contribution when an external party contributes funds to the organization for a specific purpose (other than for a capital item) and the funds remain unspent at the financial statement date. When the funds are used for the specific purpose, the contribution is recognized as revenue.

Defined benefit pension plan: A pension plan that specifies either the benefits to be received by an employee, or the method of determining those benefits, such as a pension benefit equal to two percent of the average of the five highest consecutive years' salary times the total years of service.

Derivative contract: Financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or currency rates. They usually give rise to a financial asset of one party and a financial liability or equity instrument of another party, require no initial net investment, and are settled at a future date.

Discount: The difference between the price paid for a security and the security's par or face value. Because price fluctuates with interest rates, price will differ from the face value. For example, if interest rates are higher than the coupon rate, then the security is sold at a discount.

Emerging market: An economy in the early stages of development, with markets of sufficient size and liquidity, and receptive to foreign investment.

Endowment Funds: Endowment funds generally are established by donor gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The endowments may or may not be restricted in how they are used.

Fair value: The amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is similar to market value.

Financial asset: An asset that could provide resources to pay liabilities or finance future operations. A financial asset could be cash, a right to receive cash or another financial asset from another party, a right to exchange financial instruments with another party under conditions that are potentially favourable, or equity of another entity.

First-in, first-out: A method of valuing inventory where the cost of the first goods purchased or acquired is the cost assigned to the first goods sold. Therefore, the cost allocated to the inventory items on hand at the end of the period is the cost of those items most recently acquired.

Fixed income instrument: Interest bearing instrument that provides a return in the form of fixed periodic payments and eventual return of principal at maturity, or money market instrument such as treasury bills and discount notes.

Floating rate: An interest rate that is reset periodically, usually every couple of months or sometimes daily.

Hedging: An activity designed to manage exposure to one or more risks. When management designates a hedging relationship, it must identify the specific items included in the hedging relationship, the risk that is being hedged, and the period over which the hedging relationship is intended to be effective. The designation of the hedging relationship is documented formally in the entity's records when designation occurs.

Interest rate risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market interest rates.

Leveraging: The use of various financial instruments or borrowed capital to increase the potential return of an investment.

Liquidity: The ease with which an asset can be turned into cash and the certainty of the value it will obtain.

Market risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market prices.

Net realizable value: The selling price less the estimated costs of completion and costs necessary to make the sale.

Par value: A value set as the face or principal amount of a security, typically expressed as multiples of $100 or $1,000. Bondholders receive par value for their bonds at maturity.

Prepaid expenses: An expenditure that is paid for in one accounting period, but which will not be entirely consumed until a future period. Consequently, it is carried on the Consolidated Statement of Financial Position as an asset until it is consumed.

Present value: Today's value of one or more future cash payments, determined by discounting the future cash payments using interest rates.

Private equity: An ownership interest in a privately held company.

Public equity: An ownership interest in a publicly-traded company.

Public private partnership: A legally-binding contract between government and business for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners.

Realized gains and losses: Gains or losses are realized when investments are sold at a price over or below its book value and selling costs.

Refinancing risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate due to refinancing.

Repurchase Agreement (Repo): An agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price.

Segment: A distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Temporary investment: Investments which are transitional or current in nature and generally capable of reasonably prompt liquidation.

Temporary loss: Determining when a loss is other than temporary is a matter of judgment, but it is generally presumed if a condition indicating a loss in value has persisted for a period of three or four years.

Unamortized deferred capital contribution: Once an organization, which follows the deferral method of accounting, uses contributed funds to purchase a tangible capital asset, the amount contributed is transferred to an account called unamortized deferred capital contributions. As the tangible capital asset is amortized, the contribution is recorded as revenue.

Unmatured debt: Unredeemed Government securities that have not matured and that are issued in respect of money raised under section 56(1) of the Financial Administration Act, and the total outstanding borrowings of Alberta Social Housing Corporation.

Yield curve: A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates.